

Ulundi Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	2009 R	2008 R
29 GENERAL EXPENSES		
Included in general expenses are the following:-		
Advertising	162,122	207,192
Admin fees	-	-
Audit fees - External	724,674	799,164
Audit fees - Internal	-	486,879
Bank charges	164,625	190,915
Brochures - Council	1,952	7,753
Chemicals & gasses	6,540	-
Children holiday programme	3,177	-
Civic entertainment	58,335	7,799
Conference fees	15,670	14,527
Cash handling fee	151,086	64,950
Commision : Sale pre-paid Electricity	173,024	96,354
Decorations	11,367	25,500
Delivery - Consumer accounts	68,807	73,529
Disconnection fees	62,240	30,677
Digging of graves	4,000	21,213
Entertainment / Refreshments	126,961	66,291
Expendable tools	28,681	59,534
Free basic Services - Electricity	337,831	231,185
Fruitless and wasteful expenses	49,398	262,520
Hire of equipment	455,187	513,006
Hire of offices	17,617	64,045
HIV/AIDS Projects	7,439	5,008
Indigent relief	168,663	51,785
Indigent burials	485,868	405,045
Insurance	527,745	490,625
Legal expenses	278,447	231,581
Library material	43,746	18,540
License fees	-	199
Local mayoral sports cup	423,649	231,284
Medical examination fees	1,884	1,461
Membership fees	179,568	118,701
Official photographs	-	3,350
Periodicals	4,426	8,786
Pauper burials	-	5,875
Printing and stationery	513,796	219,542
Promotional material	(439)	16,062
Projects tourism	80,302	88,930
Publicity	36,889	35,177
Quality Special projects/Grass cutting	142,071	101,715
Refuse bags	140,719	92,922
Repeater licence fee	11,983	10,894
Refuse receptacles	7,098	-
Study aid - Staff	(22,278)	19,218
Street lights	13,516	-
Small office equipment	9,585	109,644
Small tools	3,572	209
Stamps and postage	46,834	50,477
Stocks and material	221,576	116,422
Sundries	21,949	74,316
Telephone cost	866,786	777,301
Training	89,525	79,127
Transport claims	1,149,913	1,395,320
Travel and subsistence	891,675	597,595
Uniforms & overalls	103,644	43,309
Valuation costs	2,267,148	49,345
WCC	225,109	270,501
Water charges	195,347	477,683
Weed killers and insecticides	10,672	6,165
Weed killer programme	-	6,630
Ward committees	45,475	-
Grant : PMS	210,900	11,146
Grant : National Electrification	-	512,098
Grant : MAP	-	369,513
Grant valuation roll	6,810	-
Grant : FMG	426,282	548,439
Grant : Community dev workers	6,005	1,900
Grant : Skills Development	311,560	35,655
Housing Grant Expenditure	77,300	322,040
Cash shortages	1,202	-
Contribution - Leave pay provision	784,215	-
Mayoral functions	243,824	191,357
Grant P/Cons HR Systems	-	59,892
Stores shortages	341,155	-
Formalise Unit M	-	400,000
Grant : LUMS	56,088	47,045
Grant Project Consolidate Comm Consultant	219,465	133,482
Grant : Municipal Governance	125,881	-
Grant Bookkeeping training	98,788	-
Other	-	188,721
	14,728,670	12,255,066

Ulundi Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	2009 R	2008 R
30 GAIN ON SALE OF LAND		
Land	1,922,667	4,060,515
Total Gain on Sale of Land	<u>1,922,667</u>	<u>4,060,515</u>
31 CASH GENERATED BY OPERATIONS		
Surplus/(deficit) for the year	4,418,259	1,376,396
Adjustment for:-		
Prior year	-	2,991,529
Depreciation and amortisation	6,530,061	7,481,024
(Gain) / loss on sale of assets	(1,922,667)	(4,060,515)
Contribution to provisions for bad debts	4,050,720	4,030,308
Contribution to provisions - current	395,000	-
Housing grants received	50,580	-
Finance costs	32,768	148,222
Interest earned	(1,627,740)	(1,920,261)
Operating surplus before working capital changes:	11,926,981	10,046,703
(Increase)/decrease in inventories	192,018	336,700
(Increase)/decrease in trade receivables	(5,268,618)	(5,202,570)
(Increase)/decrease in other receivables	(66,631)	(1,449,660)
(Increase)/decrease in VAT receivable	456,653	(2,027,594)
Increase/(decrease) in conditional grants and receipts	1,930,456	1,838,731
Increase/(decrease) in trade payables	2,109,174	(5,192,787)
Cash generated by/(utilised in) operations	<u>11,280,033</u>	<u>(1,650,477)</u>
32 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Bank balances and cash	10,160,554	11,987,398
Bank overdrafts	-	(363,562)
Net cash and cash equivalents (net of bank overdrafts)	<u>10,160,554</u>	<u>11,623,836</u>
33 CHANGE IN ACCOUNTING POLICY		
Restatement of Comparative amounts.		
A reconciliation of the deficit reported in the previous year's annual financial statements to the restated comparative amounts in the Statement of Financial Performance is set out below:		
Surplus previously reported	-	3,498,682
Depreciation 2006/2007	-	(6,735,849)
	<u>-</u>	<u>(3,237,167)</u>
UNAUTHORISED FRUITLESS AND WASTEFUL EXPENDITURE		
34 DISALLOWED		
Fruitless and wasteful expenditure		
Reconciliation of unauthorised fruitless and wasteful expenditure		
Opening balance	884,994	622,474
Unauthorised fruitless and wasteful expenditure current year	45,398	262,520
Unauthorised fruitless and wasteful expenditure awaiting authorisation	<u>930,392</u>	<u>884,994</u>
The loss control committee will meet during the ensuing year, 2009/2010 to deal with this issue.		

Ulundi Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	2009 R	2008 R	
ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE			
35 MANAGEMENT ACT			
35.1 Contributions to organised local government			
Amount paid - current	178,568	118,701	
35.2 Audit fees			
Amount paid - current year	724,674	799,164	
35.3 VAT			
Opening balance	2,213,827	186,233	
Current year output vat	(3,363,223)	(3,497,620)	
Current year input vat	6,860,323	4,814,071	
Amount paid current year	-	711,143	
Amount refunded by SARS - current	(3,953,753)		
Amount due by SARS	1,757,174	2,213,827	
VAT receivables and payables are shown in note 12. All VAT returns have been submitted by the due date throughout the year.			
35.4 PAYE and UIF			
Opening balance			
Current year payroll deductions	4,545,354	4,407,960	
Amount paid - current year	(4,545,354)	(4,407,960)	
Balance	-	-	
35.5 Pension and Medical Aid Deductions			
Opening balance			
Current year payroll deductions and Council Contributions	13,192,845	11,422,621	
Amount paid - current year	(13,192,845)	(11,422,621)	
Balance	-	-	
35.6 Councillor's arrear consumer accounts			
The following Councillors had arrear accounts outstanding for more than 90 days as at: -			
	Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
as at 30 June 2009			
CR Khumalo	752	147	605
FL Buthelezi	6,903	630	6,273
LNZ Buthelezi	5,196	702	4,494
MA Sibiya	448	177	271
ZP Dlamuka	6,527	147	6,380
Total Councillor Arrear Consumer Accounts	19,826	1,803	18,023
as at 30 June 2008			
CR Khumalo	602	93	509
LNZ Buthelezi	4,058	394	3,664
MA Sibiya	10,092	629	9,463
ZP Dlamuka	7,494	93	7,401
N J Manana	869	579	290
M N Sibisi	1,452	494	958
BM Buthelezi	393	393	-
PATN Buthelezi	5,004	93	4,911
FP Ntanz	975	11	964
SG Jali	4,705	865	3,840
SR Shwala	5,404	506	4,898
Total Councillor Arrear Consumer Accounts	41,048	4,150	36,898
36 CAPITAL COMMITMENTS			
Commitments in respect of capital expenditure			
- Approved and contracted for		16,425,000	4,832,440
- Approved but not yet contracted for		1,459,700	23,844,760
Total		17,884,700	28,677,200
This expenditure will be financed from:			
- Government Grants		16,425,000	25,367,440
- Own resources		1,459,700	3,309,760
		17,884,700	28,677,200
Operating leases			
At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:			
Operating leases - lessee			
Within one year		783,066	601,044
Greater than one year		1,766,976	2,550,042
Total		2,550,042	3,151,087

Ulundi Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	2009 R	2008 R
37 RETIREMENT BENEFIT INFORMATION		
funds administered by the Natal Joint Municipal Pension Fund. These funds are subject to a triennial actuarial valuation. The last valuation was performed in 2008		
37.1 Superannuation fund		
The Fund's Actuary confirmed that, at the valuation date, the Fund was fully funded and financially sound on the DCF method.		
37.2 Retirement Fund		
The Fund's Actuary confirmed that, at the valuation date,		
- the Memorandum account was fully funded		
- the Fund's liabilities for members exceeded the value of the assets, however, it was anticipated that the surcharge of 17 % of pensionable salaries, which currently applies, will enable the shortfall to be eliminated by July 2010.		
37.3 Provident Fund		
The Fund's Actuary confirmed that, at the valuation date, the Fund was in a sound financial position.		
38 CONTINGENT LIABILITY		
Claim for damages		
The following matters are currently on the roll of the high court and as at balance sheet date the following amounts represent possible liabilities, they are an estimate from the Municipality's attorneys.		
38.1 D.N. Nzimande on behalf of S.E. Nzimande vs Ulundi Municipality	2,300,000	-
38.2 G.M. Zondo on behalf of L.Z. Zondo vs Ulundi Municipality	100,000	-
	<u>2,400,000</u>	<u>2,400,000</u>
The Municipality is being sued by these ratepayers for damages arising from incidents relating to electric shock injuries sustained.		
39 RELATED PARTIES		
Compensation paid to members of key management (refer note 23)	2,573,968	2,273,442
Compensation paid to councillors (refer note 24)	9,129,459	8,379,293
There were no related party transactions during the 2008/2009 financial year.		
40 EVENTS AFTER THE REPORTING DATE		
There have been no events after the reporting date that require disclosure.		
41 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS		
No areas have involved a significant degree of estimation, uncertainty or judgements made by management in applying the municipalities accounting policies and that have a material and significant affect on the amounts recognised in the financial statements.		
42 DISTRIBUTION LOSSES		
The municipality incurred distribution losses on Electricity amounting to approximately 20,884,372 units , this equates to approximately 30% of total purchases . These losses are calculated as the difference between power supplies purchased from Eskom and amounts invoiced out to consumers. These losses are not incurred in connection with "Pre-paid Electricity Card" sales.		

Ulundi Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	2009 R	2008 R
43 RISK MANAGEMENT		
Maximum credit risk exposure		
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or consumer contract, leading to financial loss. The municipality is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions.		
Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.		
Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by EXCO.		
	<u>90,172,317</u>	<u>84,903,699</u>
Credit risk from balances with banks and financial institutions is managed by the municipality's finance and management committee in accordance with the municipality's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty.		
Counterparty credit facilities are reviewed by MANCO on an annual basis, and may be updated throughout the year subject to approval by EXCO.		
Financial assets exposed to credit risk at year end were as follows:		
First National Bank Call Investments	<u>8,704,429</u>	<u>11,813,589</u>
These balances represent the maximum exposure to credit risk.		
43.1 Liquidity risk		
The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.		
Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.		
43.2 Interest rate risk		
As the municipality has no significant interest-bearing liabilities, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.		
44 COMPARISON WITH THE BUDGET		
The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1) and E(2)		
45 RECLASSIFICATION		
In the current year the municipality has reclassified investments of R8,704,429 (2008 R 11,813,589) from investments per note 6 to cash and cash equivalents per note 1		
Irregular and unauthorised expenditure as disclosed in the prior years has in the current year been disclosed as fruitless and wasteful expenditure.		
In the current year the municipality has reclassified land of R5,915,000 (2008 R5,915,000) from Property, Plant, and Equipment to Investment Property per note 9.		

Ulundi Municipality

APPENDIX A

SCHEDULE OF EXTERNAL LOANS

as at 30 June 2009

EXTERNAL LOANS	Redeemable Date	Balance at 30 June 2008	Received during the period	Redeemed / written off during the period	Balance at 30 June 2009
		R	R	R	R
Umsekele Services	2009	937,500	-	937,500	-
TOTAL EXTERNAL LOANS		937,500	-	937,500	-

Ulundi Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2009

2009	Cost / Revaluation Reclassification on to					Accumulated Depreciation			Carrying Value R
	Opening Balance R	Additions R	Investment Properties R	Under Construction R	Closing Balance R	Opening Balance R	Depreciation R	Closing Balance R	
Land									
Land	5,915,000	-	(5,915,000)	-	52,206	(26,069)	(1,307)	(27,376)	24,830
Refuse Disposal Site	52,206	-	-	-	52,206	(26,069)	(1,307)	(27,376)	24,830
	5,967,206	-	(5,915,000)	-	52,206	(26,069)	(1,307)	(27,376)	24,830
Buildings	28,717,079	2,140,619	-	-	30,857,698	(8,639,079)	(1,191,362)	(9,830,441)	21,027,257
Infrastructure									
Roads	47,688,901	3,784,609	-	3,733,700	55,207,210	(22,790,678)	(1,372,757)	(24,163,435)	31,043,775
Sewerage	556,189	-	-	-	556,189	(278,094)	(27,809)	(305,903)	250,286
Electrical Infrastructures	63,081,215	340,493	-	-	63,421,708	(21,820,569)	(3,066,324)	(24,886,893)	38,534,815
Water Mains & Purification	1,136,743	-	-	-	1,136,743	(568,372)	(56,837)	(625,209)	511,534
Robots	559,058	-	-	-	559,058	(111,812)	(27,953)	(139,765)	419,293
	113,022,106	4,125,102	-	3,733,700	120,880,908	(45,569,525)	(4,551,680)	(50,121,205)	70,759,703
Community Assets									
Sport Facilities	1,580,398	695,363	-	-	2,275,761	(298,288)	(79,704)	(377,992)	1,897,769
Taxi Rank	1,802,799	-	-	-	1,802,799	(1,246,950)	(180,280)	(1,427,230)	375,569
Cemeteries	160,834	263,711	-	4,489,541	4,914,086	(54,554)	(132,263)	(186,817)	4,727,269
	3,544,031	959,074	-	4,489,541	8,992,646	(1,599,792)	(392,247)	(1,992,039)	7,000,607
Other Assets									
Office & Computer Equipment	2,739,886	420,402	-	-	3,160,288	(2,416,050)	(297,394)	(2,713,444)	446,844
Fencing	11,316	-	-	-	11,316	(11,316)	-	(11,316)	-
Air Conditioners	207,026	-	-	-	207,026	(38,636)	(6,266)	(44,902)	162,124
Motor vehicles	4,470,903	-	-	-	4,470,903	(4,470,903)	-	(4,470,903)	-
Furniture & Fittings	1,752,044	25,358	-	-	1,777,402	(1,741,210)	(21,854)	(1,763,064)	14,338
	12,742,192	465,124	-	-	13,207,316	(10,894,379)	(393,464)	(11,287,843)	1,919,473
Total	163,992,614	7,689,919	(5,915,000)	8,223,241	173,990,774	(66,728,844)	(6,530,060)	(73,258,904)	100,731,870

Ulundi Municipality
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2008

2008	Cost / Revaluation				Accumulated Depreciation			Carrying Value R
	Opening Balance R	Additions R	Disposals R	Under Construction R	Closing Balance R	Opening Balance R	Depreciation R	
Land								
Land	5,915,000				5,915,000	-		-
Refuse Disposal Site	52,206				52,206	(26,069)		(26,069)
	5,967,206	-	-	-	5,967,206	(26,069)	-	(26,069)
Buildings	21,325,305	4,629,063		2,762,711	28,717,079	(6,716,129)	(1,922,950)	(8,639,079)
Infrastructure								
Roads	47,688,897				47,688,901	(22,790,678)		(22,790,678)
Sewerage	556,189				556,189	(278,094)		(278,094)
Electrical Infrastructures	59,806,835	3,309,397	35,017		63,081,215	(18,327,622)	(3,457,930)	(21,820,569)
Water Mains & Purification	1,136,743				1,136,743	(568,372)		(568,372)
Robots	559,058				559,058	(111,812)		(111,812)
Community Assets	109,747,722	3,309,397	35,017	-	113,022,106	(42,076,578)	(3,457,930)	(45,569,525)
Sport Facilities	1,580,398				1,580,398	(298,288)		(298,288)
Taxi Rank	1,802,799				1,802,799	(1,246,950)		(1,246,950)
Swimming Pools	-				-	-		-
Cemeteries	160,834				160,834	(54,554)		(54,554)
	3,544,031	-	-	-	3,544,031	(1,599,792)	-	(1,599,792)
Other Assets								
Office & Computer Equipment	2,739,886				2,739,886	(2,416,050)		(2,416,050)
Fencing	11,316				11,316	(11,316)		(11,316)
Air Conditioners	207,026				207,026	(38,636)		(38,636)
Motor vehicles	4,602,526		131,623		4,734,149	(4,253,400)	(85,880)	(4,470,903)
Furniture & Fittings	1,793,078		41,034		1,834,112	(1,741,210)		(1,741,210)
Machinery & Equipment	3,561,017				3,561,017	(160,966)	(2,014,264)	(2,216,264)
	12,914,849	-	172,657	-	13,087,506	(8,621,578)	(2,100,144)	(10,894,379)
Total	153,499,113	7,938,460	207,674	2,762,711	163,992,614	(59,040,146)	(7,481,024)	(66,728,844)

Ulundi Municipality

APPENDIX C

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

For the year ended 30 June 2009

	Cost / Revaluation				Accumulated Depreciation					
	Opening Balance	Additions	Under Construction	Reclassification to Investment Properties	Closing Balance	Opening Balance	Current Depreciation	Disposals	Closing Balance	Carrying value
2009	R	R	R	R	R	R	R	R	R	R
Executive & Council	11,212,893	2,140,620	-	(5,915,000)	7,438,513	3,052,391	485,324	-	3,537,715	3,900,798
Finance & Admin	14,020,166	387,266	-	-	14,407,432	3,734,552	474,594	-	4,209,146	10,198,286
Health	183,654	-	-	-	183,654	183,654	-	-	183,654	-
Community & Social Services	9,476,134	961,643	4,489,541	-	14,927,318	3,638,540	368,589	-	4,007,129	10,920,189
Public Safety	1,495,121	75,289	-	-	1,570,410	1,028,336	49,521	-	1,077,857	492,553
Waste Management	2,079,634	-	-	-	2,079,634	2,075,909	3,725	-	2,079,634	-
Road Transport	46,994,171	3,784,609	3,733,700	-	54,512,480	22,987,119	1,407,991	-	24,395,110	30,117,370
Electricity	73,945,589	340,493	-	-	74,286,082	27,735,715	3,511,055	-	31,246,770	43,039,312
Housing	4,585,247	-	-	-	4,585,247	2,292,624	229,262	-	2,521,886	2,063,361
Total	163,992,609	7,689,920	8,223,241	(5,915,000)	173,990,770	66,728,840	6,530,061	-	73,258,901	100,731,869

For the year ended 30 June 2008

2008	Cost / Revaluation					Accumulated Depreciation				Carrying value R
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Current Depreciation	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	
Executive & Council	13,868,718	-	2,094,950	(41,034)	15,922,634	4,395,194	490,721	(41,034)	4,844,881	11,077,753
Finance & Admin	8,544,407	-	-	-	8,544,407	1,602,561	273,132	-	1,875,693	6,668,714
Health	183,654	-	-	-	183,654	183,654	-	-	183,654	-
Community & Social Services	4,666,229	-	-	-	4,666,229	1,251,422	139,902	-	1,391,324	3,274,905
Public Safety	1,495,121	-	-	-	1,495,121	994,130	34,206	-	1,028,336	466,785
Sport & Recreation	3,373,240	-	32,895	(37,830)	3,368,305	1,261,519	185,718	(37,830)	1,409,407	1,958,898
Waste Management	2,079,634	-	-	-	2,079,634	2,072,184	3,725	-	2,075,909	3,725
Road Transport	43,984,757	4,629,063	634,866	(46,896)	49,201,790	21,271,767	2,666,427	(46,896)	23,891,298	25,310,492
Electricity	70,718,105	3,309,398	-	(81,914)	73,945,589	24,359,699	3,457,930	(81,914)	27,735,715	46,209,874
Housing	4,585,247	-	-	-	4,585,247	2,063,361	229,262	-	2,292,624	2,292,624
Total	153,499,112	7,938,461	2,762,711	(207,674)	163,992,610	59,455,491	7,481,023	(207,674)	66,728,840	97,263,770

Ulundi Municipality

APPENDIX D

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2009

2008			2008			2009		2009		2009
Actual Income	Actual Expenditure	Surplus / (Deficit)	Actual Income	Actual Expenditure		Actual Income	Actual Expenditure	Actual Income	Actual Expenditure	Surplus / (Deficit)
R	R	R	R	R		R	R	R	R	R
9,298,087	22,628,718	(13,330,631)			Executive & Council	1,588,303	30,101,773			(28,513,470)
45,301,486	11,339,340	33,962,146			Finance & Admin	55,409,556	11,673,740			43,735,816
4,305,193	1,869,027	2,436,166			Planning & Development	2,594,117	4,383,683			(1,789,566)
434,565	3,271,603	(2,837,038)			Community & Social Services	61,143	3,873,505			(3,812,362)
236,340	5,530,159	(5,293,819)			Public Safety	996,434	7,886,329			(6,889,895)
83,159	3,557,818	(3,474,659)			Sport & Recreation	734,786	4,153,116			(3,418,330)
-	275,662	(275,662)			Environmental Protection	-	336,504			(336,504)
5,950,564	4,593,716	1,356,848			Waste Management	7,437,843	5,474,369			1,963,474
	5,920,602	(5,920,602)			Road Transport	14,412,180	5,036,797			9,375,383
321,859	322,040	(181)			Housing	44,040	77,300			(33,260)
21,138,183	25,543,059	(4,404,876)			Electricity	22,920,975	27,867,609			(4,946,634)
-	841,296	(841,296)			Other	-	916,393			(916,393)
87,069,436	85,693,040	1,376,396			TOTAL	106,199,377	101,781,118			4,418,259

Ulundi Municipality
APPENDIX E (1)

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2009

	2009 Actual R	2009 Budget R	2009 Variance R	Variance %	Explanation of significant variances greater than 10 % versus budget
REVENUE					
Property rates	19,189,210	19,611,029	(421,819)	(2.15)	
Property rates - penalties imposed and collection charges	7,037,191	2,392,025	4,645,166	194.19	Collection pressures as a result of the general state of the economy under budgetted for
Service charges	22,378,664	21,897,766	480,898	2.20	
Rental of facilities and equipment	197,033	172,480	24,553	14.24	Increased use of Municipal facilities
Interest earned - external investments	1,627,740	800,000	827,740	103.47	Under budgetted
Interest earned - outstanding debtors	0	2,500	(2,500)	(100.00)	This interest has been included within normal income received on the consumer accounts
Fines	280,330	201,770	78,560	38.94	Increased revenue against budget
Licences and permits	716,104	306,000	410,104	134.02	Increase income based on general requirements for these services
Government grants and subsidies	52,815,761	50,493,306	2,322,455	4.60	
Other income	34,677	15,000	19,677	131.18	Recovery of cash shortages , not budgetted for
Gain on disposal of property, plant and equipment	1,922,667	6,214,954	(4,292,287)	(69.06)	Decline in expected property sales
Total Revenue	106,199,377	102,106,830	4,092,547	4.01	
EXPENDITURE					
Employee related costs	35,397,753	38,945,580	(3,547,827)	(9.11)	
Remuneration of Councillors	9,129,459	8,756,851	372,608	4.26	Grossly under-budgetted , provision adjusted accordingly at year end
Bad debts	7,936,213	786,204	7,150,009	909.43	Fixed Asset Register updated in line with GRAP 17 compliance
Depreciation	6,530,061	8,142,728	(1,612,667)	(19.80)	Cashflow constraints restricted general repairs and maintenance requirements and essential items were only addressed
Repairs and maintenance	1,820,615	3,245,215	(1,424,600)	(43.90)	Over budgetted
Interest paid	32,768	49,218	(16,450)	(33.42)	Usage dictated increased purchases
Bulk purchases	17,427,787	13,669,730	3,758,057	27.49	Increased use in contracted services
Contracted services	8,777,792	6,523,508	2,254,284	34.56	Over budgetted
General expenses	14,728,670	17,090,376	(2,361,706)	(13.82)	
Total Expenditure	101,781,118	97,209,410	4,571,708	4.70	
Surplus (Deficit) for the year	4,418,259	4,897,420	(479,161)	(9.78)	

Ulundi Municipality
APPENDIX E (2)

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2009

	2009 Additions R	2009 Under Construction R	2009 Total Additions R	2009 Budgeted Additions R	2009 Variance
Buildings					
	2,140,619	-	2,140,619	5,204,228	(3,063,609)
Infrastructure					
Roads	3,784,609	3,733,700	7,518,309	11,043,212	(3,524,903)
Electrical Infrastructures	340,493	-	340,493	2,250,000	(1,909,507)
Cemeteries	263,711	4,489,541	4,753,252	-	4,753,252
	4,388,813	8,223,241	12,612,054	13,293,212	(681,158)
Community Assets					
Sports facilities	695,363	-	695,363	-	695,363
Tourism Hub	-	-	-	5,000,000	(5,000,000)
Production Centre	-	-	-	3,000,000	(3,000,000)
	695,363	-	695,363	8,000,000	(7,304,637)
Other Assets					
Office & Computer Equipment	420,402	-	420,402	251,300	169,102
Air conditioners	-	-	-	37,000	(37,000)
Furniture and fittings	25,358	-	25,358	193,160	(167,802)
Machinery and equipment	19,364	-	19,364	688,500	(669,136)
Vehicles	-	-	-	1,009,600	(1,009,600)
	465,124	-	465,124	2,179,560	(1,714,436)
Total	7,689,919	8,223,241	15,913,160	28,677,000	(12,763,840)

Capital expenditure during the year ended 30 June 2009 was restricted due to cashflow constraints

Ulundi Municipality

APPENDIX F

**DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, ACT 56 OF 2003
FOR THE YEAR ENDED 30 JUNE 2009**

Description	Unspent balance at 1 July 2008	Received 08/09	Expenditure 08/09	Transfer 08/09	Unspent balance at 30 June 2009	Grants delayed/ Withheld	Compliance with grant conditions YES/NO
	R	R	R	R	R	R	
NER Electricity	1,737,881	-	-	-	1,737,881	N/A	YES
Indigent Support	454,867	-	-	-	454,867	N/A	YES
Management Assistance Program	-	-	-	-	-	N/A	YES
Community Gardens	-	-	-	-	-	N/A	YES
Skills Development	360,320	197,019	311,560	-	245,779	N/A	YES
Finance Management	308,009	500,000	274,084	-	533,925	N/A	YES
Development Planning	191,559	-	-	-	191,559	N/A	YES
Tourism	56,575	30,000	-	-	86,575	N/A	YES
Sector plan	195,588	-	-	-	195,588	N/A	YES
LUMS	128,205	-	56,088	-	72,117	N/A	YES
Housing plan	46,771	77,300	44,040	-	80,031	N/A	YES
Anti corruption	8,473	-	-	-	8,473	N/A	YES
Library equipment	5,462	-	-	-	5,462	N/A	YES
MFMA implementation	104,513	-	-	-	104,513	N/A	YES
Dev inform. System (GIS)	15,935	-	-	-	15,935	N/A	YES
Inter dept. monitoring	63,780	-	-	-	63,780	N/A	YES
MSIG	1,070,024	735,000	864,607	(102,947)	837,470	N/A	YES
Strategic planning	4,362	-	-	-	4,362	N/A	YES
Community development workers	96,087	-	-	-	96,087	N/A	YES
MDIS support	125,000	-	-	-	125,000	N/A	YES
Performance Management	253,764	-	210,900	-	42,864	N/A	YES
MDPCB	80,000	-	-	-	80,000	N/A	YES
Capacity building	234,500	-	-	-	234,500	N/A	YES
Valuation roll	244,000	-	-	-	244,000	N/A	YES
Tennis courts	117,105	-	117,105	-	-	N/A	YES
Human resources policies	77,108	-	-	-	77,108	N/A	YES
Govt. structures and human resources	150,000	-	-	-	150,000	N/A	YES
Community consultation	116,518	-	219,465	102,947	-	N/A	YES
MIG	3,263,164	12,394,000	12,487,593	-	3,169,571	N/A	YES
Investment Plan	200,000	-	-	-	200,000	N/A	YES
Unit M	560,000	-	-	-	560,000	N/A	YES
Housing projects	-	-	-	-	-	N/A	YES
REDS	150,000	-	-	-	150,000	N/A	YES
H V Cable Tester	460	-	-	-	460	N/A	YES
Basic bookkeeping training	100,000	-	98,788	-	1,212	N/A	YES
CBD Roads	670,822	-	670,822	-	-	N/A	YES
Zondela roads	1,253,765	-	1,253,765	-	-	N/A	YES
Parallel feeders	171,930	-	-	-	171,930	N/A	YES
Sportsfields	325,000	791,700	572,863	-	543,837	N/A	YES
ZDM corridor development	-	3,000,000	-	-	3,000,000	N/A	YES
Electricity supply to households	-	1,013,000	-	-	1,013,000	N/A	YES
Implementation of municipal governance	-	500,000	125,881	-	374,119	N/A	YES
Total	12,941,547	19,238,019	17,307,561	0	14,872,005		

Princess S A Buthelezi
Municipal Manager
Ulundi Municipality
Private Bag X17
ULUNDI
3838

30 October 2009

Reference: 60637REG2008/09

Dear Princess Buthelezi

**MANAGEMENT REPORT ON THE REGULARITY AUDIT AND THE REVIEW OF
PERFORMANCE INFORMATION OF THE ULUNDI MUNICIPALITY FOR THE YEAR ENDED
30 JUNE 2009**

INTRODUCTION

1. This management report is provided to the accounting officer of the Ulundi Municipality in connection with our audit of the financial statements and the review of the performance information for the year ended 30 June 2009.
2. The report contains the following main subsections:
 - The Auditor-General's responsibilities
 - The Accounting officer's responsibilities
 - Significant findings from our audit of the financial statements
 - Financial matters
 - Governance matters
 - Significant findings from our review of the performance information
 - Ratings of the audit findings
 - Summary of detailed audit findings
3. Annexures A and B contain information on the detailed audit findings. The detailed findings were communicated during the course of the audit and include management's responses thereto.

THE AUDITOR-GENERAL'S RESPONSIBILITIES

4. Our responsibility is to express an opinion on the financial statements and to report on findings related to our review of performance information. Our engagement letter sets out our responsibilities in detail. These include the following:
 - Planning and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements, whether caused by fraud or error.
 - Performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements.
 - Considering internal controls relevant to the entity's preparation and fair presentation of the financial statements.
 - Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management.
 - Evaluating the overall presentation of the financial statements.
 - Expressing an opinion on the financial statements based on the audit in accordance with the International Standards on Auditing (ISAs).
 - Evaluating non-compliance with applicable legislation relating to financial matters, financial management and other related matters.
 - Evaluating the appropriateness of controls, systems and processes to ensure the accuracy and completeness of reported performance information.
 - Reading other information in documents containing the audited financial statements.
5. Because of the test nature and other inherent limitations of an audit, we do not guarantee the completeness and accuracy of the financial statements or performance information, or compliance with all applicable legislation.
6. Having formed an opinion on the financial statements we may draw the user's attention, when in our opinion it is necessary to do so, by way of additional communication in the auditor's report to:
 - a matter, although appropriately presented or disclosed in the financial statements, that is of such importance that it is fundamental to user's understanding of the financial statements; or
 - as appropriate, any other matter that is relevant to the user's understanding of the auditor's responsibilities or the auditor's report.

These items are normally included under the headings 'emphasis of matter' and 'other matters' respectively in the auditor's report and include an indication that they do not affect the auditor's opinion.

THE ACCOUNTING OFFICER'S RESPONSIBILITIES

7. The accounting officer's responsibilities are set out in detail in the engagement letter. These include the following:
 - The preparation and fair presentation of the financial statements in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP), as set out in accounting policy note 1.
 - Designing, implementing and maintaining internal controls relevant to the preparation of the financial statements.

- Selecting and applying appropriate accounting policies, and making accounting estimates that are appropriate in the circumstances.
- Disclosing known instances of non-compliance or suspected non-compliance with laws and regulations, of which the effects should be considered when preparing financial statements.
- Monitoring and reporting on performance against predetermined objectives.
- Providing access to all information that is relevant to the preparation of the financial statements and performance information, such as records, documents and other matters.
- Disclosing all matters concerning any risk, allegation or instances of fraud.
- Accounting for and disclosing related party relationships and transactions.

SIGNIFICANT FINDINGS FROM OUR AUDIT OF THE FINANCIAL STATEMENTS

FINANCIAL MATTERS

Material misstatements not corrected at the date of this report

8. All material misstatements have been corrected at the date of this report.

Material misstatements corrected during the audit

9. The following represents the material misstatements arising from a difference between the amount, classification or presentation of a reported financial statement item and the amount, classification or presentation that is required for the item to be in accordance with the applicable financial reporting framework. These misstatements were identified during the audit and were corrected by management. These misstatements were not prevented or detected by the municipality's system of internal control. We urge management to implement improved controls over the matters reflected as the root cause for the misstatements.

Financial statement line item	Reason for misstatement	Dr	Cr	Root cause(s) (as per table below)
		R	R	
Operating expenditure	Costs incorrectly capitalised	2 192 208		M 1, CA 4
Intangible assets			2 192 208	
Bad debts adjustment	Provision for doubtful debts understated	2 414 652		CE 1
Provision for bad debts			2 414 652	
Creditors	Errors on the leave provision accrual	584 941		CE 1
Leave adjustment account			584 941	
Cash and bank	Receipts not recorded	429 081		CE 1, CA 4
Trade Debtors			429 081	
VAT input	Incorrect treatment of VAT on bulk purchases	465 941		CE 1
Electricity bulk purchase expense account			465 941	

10. The following represents the material misstatements that arose from a difference between the disclosures in the financial statements and the **disclosures** required by the financial reporting framework. These misstatements were identified during the audit and were corrected by management. These misstatements were not prevented or detected by the municipality's system of internal control. We urge management to implement improved controls over the matters reflected as the root cause for the misstatements.

Financial statement line item	Disclosure	Amount R	Root cause(s) (as per table below)
Cash and bank	Short term deposits disclosed as investments instead of cash and bank	8 704 492	M 1
Accumulated surplus	Reserves shown separately in AFS and should be disclosed as Accumulated Surplus in terms of GRAP	104 657 995	M 1
Contingencies	Disclosure incomplete	2 400 000	M 1

Legend	
CE = Control environment (ISA 315.14(b) and A69:A75)	
The organisational structure does not address areas of responsibility and lines of reporting to support effective control over financial reporting.	1
Management and staff are not assigned appropriate levels of authority and responsibility to facilitate control over financial reporting.	2
Human resource policies do not facilitate effective recruitment and training, disciplining and supervision of personnel.	3
Integrity and ethical values have not been developed and are not understood to set the standard for financial reporting.	4
The accounting officer/authority does not exercise oversight responsibility over financial reporting and internal control.	5
Management's philosophy and operating style do not promote effective control over financial reporting.	6
The entity does not have individuals competent in financial reporting and related matters.	7
RA = Risk assessment	
Management has not specified financial reporting objectives to enable the identification of risks to reliable financial reporting.	1
The entity does not identify risks to the achievement of financial reporting objectives.	2
The entity does not analyse the likelihood and impact of the risks identified.	3
The entity does not determine a risk strategy/action plan to manage identified risks.	4
The potential for material misstatement due to fraud is not considered.	5
CA = Control activities	
There is inadequate segregation of duties to prevent fraudulent data and asset misappropriation.	1
General information technology controls have not been designed to maintain the integrity of the information system and security of the data.	2
Manual or automated controls are not designed to ensure that the transactions occurred, are authorised, and are completely and accurately processed.	3
Actions are not taken to address risks to the achievement of financial reporting objectives.	4
Control activities are not selected and developed to mitigate risks over financial reporting.	5
Policies and procedures related to financial reporting are not established and communicated.	6
Realistic targets are not set for financial performance measures, which are in turn not linked to an effective reward system.	7
IC = Information and communication	
Pertinent information is not identified and captured in a form and time frame to support financial reporting.	1
Information required to implement internal control is not available to personnel to enable internal control responsibilities.	2
Communications do not enable and support the understanding and execution of internal control processes and responsibilities by personnel.	3
M = Monitoring	
Ongoing monitoring and supervision are not undertaken to enable an assessment of the effectiveness of internal control over financial reporting.	1
Reviews by internal audit, the audit committee or self-assessment are not evident.	2
Internal control deficiencies are not identified and communicated in a timely manner to allow for corrective action to be taken.	3